NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Minneapolis (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A - REPORTING ENTITY

The City is a municipal corporation governed by a Mayor-Council form of government, it was incorporated in 1867, and it adopted a Charter on November 2, 1920. The Mayor and 13 City Council Members from individual wards, are elected for terms of four years without limit on the number of terms which may be served. The Mayor and City Council are jointly responsible for the annual preparation of a budget and a five-year capital improvement program. The Mayor has veto power, which the Council may override with a vote of nine members. The City employs a Finance Officer who is charged with maintaining and supervising the various accounts and funds of the City as well as several boards and commissions.

As required by GAAP, the general purpose financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's general purpose financial statements to be misleading or incomplete.

BLENDED COMPONENT UNITS

The following component units have been presented as blended component units because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the primary government.

- **Minneapolis Community Development Agency**

  The City Council created the existing Minneapolis Community Development Agency (MCDA) by Ordinance, which was effective June 1, 1981. The MCDA is the redevelopment arm of the City and provides a wide range of services in the areas of housing and economic development. The overall mission of the MCDA is to effect the revitalization of the City through the redevelopment of its commercial, industrial and residential areas. The MCDA Board of Commissioners is composed of the 13 elected City Council Members sitting as the Board and is the principal legislative and administrative body of the MCDA. The City Finance Officer serves as the MCDA Finance Officer. Complete financial statements for the Agency can be obtained from the MCDA at 105 Fifth Avenue South, Minneapolis, Minnesota 55401-2534.

- **Municipal Building Commission**

  The Municipal Building Commission (MBC) is an organization established January 4, 1904, by the State of Minnesota, to operate and maintain the City Hall/County Court House Building, which was erected pursuant to Chapter 395 of the Special Laws of 1887. The four commissioners are the Chairman of the Hennepin County Board of Commissioners, the Mayor of the City of Minneapolis, an appointee of the Hennepin County Board, and an appointee of the Minneapolis City Council. The Mayor recommends the tax levy and budget for the City's share of the MBC's operations and the City Council and Mayor approve the allocation of the state local governmental aid to the MBC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Board of Estimate and Taxation**

The Board of Estimate and Taxation (BET) is established under Chapter 15 of the City Charter. It is composed of seven members, two of whom are elected by voters of the City. The Mayor, or the Mayor's appointee, the President of the City Council, and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the board. The Minneapolis Park and Recreation Board and Minneapolis Library Board annually select one of its members to serve on the Board of Estimate and Taxation. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds and maintains responsibility for the internal audit function for the City including boards and commissions that are component units of the City.

DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the combined financial statements include the financial data of the City's other component units. The units are reported in separate columns to emphasize that they are legally separate from the City but are included because the primary government is financially accountable and is able to impose its will on the organizations. These units subscribe to the accounting policies and procedures of the primary government.

- **Minneapolis Library Board**

The Minneapolis Library Board (Library Board) was established according to Chapter 17 of the City Charter. It is an eight-member board, six of whom are elected for four-year terms by voters of the City. The Mayor and the City Council each appoint one member. The Library Board is responsible for operating and maintaining libraries located throughout the City. The Mayor recommends the tax levies and budget for the Library Board and the City Council and Mayor approve the allocations of state local government aid for Library Board operations. The Board of Estimate and Taxation approves the property tax levy for the Library Board, and the full faith and credit of the City secure debt issued for projects benefiting the Library Board. The City Finance Officer serves as Treasurer of the Library Board. Complete financial statements for the Library Board can be obtained from the Minneapolis Public Library at 300 Nicollet Mall, Minneapolis, Minnesota, 55401-1992.

- **Minneapolis Park and Recreation Board**

The Minneapolis Park and Recreation Board (Park Board) was established according to Chapter 16 of the City Charter. The nine-member board is elected by the voters of the City and is responsible for developing and maintaining parkland and parkways as well as planting and maintaining the City's boulevard trees. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocation of the state local government aid for Park Board operations. All Park Board actions are submitted to the Mayor and a mayoral veto may be overridden by a vote of two thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secure debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board. Complete financial statements for the Park Board can be obtained from the Minneapolis Park and Recreation Board at 200 Grain Exchange Building, 400 South Fourth Street, Minneapolis, Minnesota, 55415-1400.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED ORGANIZATIONS

The City's officials are also responsible for appointing members of the boards of other organizations but the City's accountability for these organizations does not extend beyond making the appointments. The following organizations are related organizations, which have not been included in the reporting entity:

- **Metropolitan Sports Facilities Commission**

  The Metropolitan Sports Facilities Commission (Commission) is an appointed commission established under 1977 Minnesota laws. Of the seven members of the Commission, the City of Minneapolis appoints six. The Commissioners serve four-year terms and removal is for cause only. The primary responsibility of the Commission is to serve as owners, operators, and landlords of the Hubert H. Humphrey Metrodome Sports Facility in Minneapolis. Major tenants of the Metrodome Sports Facility are the Minnesota Twins and the Minnesota Vikings. Complete financial statements for the Commission can be obtained from the Metropolitan Sports Facilities Commission at 900 South Fifth Street, Minneapolis, Minnesota, 55415-1903.

- **Minneapolis Public Housing Authority**

  The Minneapolis Public Housing Authority (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine-member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners; four Commissioners (one of who must be a public housing family development resident) are appointed by the City Council. The mission of the MPHA is to provide well-managed high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency. Complete financial statements for the MPHA can be obtained from the Minneapolis Public Housing Authority at 1001 Washington Avenue North, Minneapolis, Minnesota, 55401-1043.

JOINT VENTURES

The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility.

- **Minneapolis/Saint Paul Housing Finance Board**

  The Minneapolis/Saint Paul Housing Finance Board was established in accordance with a Joint Powers Agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul, the MCDA, and accepted by the cities of Minneapolis and Saint Paul under State of Minnesota laws. The MCDA's oversight responsibility of the Board is limited to its governing body's ability to appoint only three of the six members of the Board. The territorial jurisdiction of the Board extends beyond the corporate limits of the City of Minneapolis. The percentage share of the MCDA in the Board's assets, liabilities and equity cannot be determined at fiscal year-end. Complete financial statements for the Minneapolis/Saint Paul Housing Finance Board can be obtained from the MCDA at Suite 700, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota 55401-2534.

- **Minneapolis Neighborhood Revitalization Policy Board**

  The Minneapolis Neighborhood Revitalization Policy Board (NRPB) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board, and the Mayor and City Council under authority of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

State of Minnesota laws. The NRPB is composed of 20 members and includes public officials as well as representatives of neighborhood and community interest organizations.

The majority of members are persons other than the representatives of the jurisdictions, which entered into the Joint Powers Agreement. The percentage of each jurisdiction's share in the NRPB's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the NRPB can be obtained from the Minneapolis Neighborhood Revitalization Policy Board at Suite 425, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401-2585.

- **Minneapolis Youth Coordinating Board**

The Minneapolis Youth Coordinating Board (YCB) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board, the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 12 in size, includes the Mayor, two members each from the Hennepin County Board of Commissioners and the Board of Directors of Special School District No. 1, two representatives from the City Council, one member each from the Park Board and Library Board, one member each from the Minneapolis State Legislature House and Senate delegations, and a Judge assigned by the Chief Judge of the District Court. The percentage of each jurisdiction's share in the YCB's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the YCB can be obtained from the Minneapolis Youth Coordinating Board at Room 310½ City Hall, 350 South Fifth Street, Minneapolis, Minnesota 55415-1376.

B – FUND ACCOUNTING

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary, each category is divided into separate fund types.

GOVERNMENTAL FUNDS

- **General Fund**

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

- **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

- **Debt Service Funds**

Debt service funds are used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Capital Projects Funds**

  Capital projects funds are used to account for the acquisition, construction or improvement of capital assets other than those financed directly by Proprietary Funds.

PROPRIETARY FUNDS

- **Enterprise Funds**

  Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- **Internal Service Funds**

  Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost- reimbursement basis.

FIDUCIARY FUNDS

- **Agency Funds**

  Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

C - MEASUREMENT FOCUS

GOVERNMENTAL FUNDS

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending, or "financial flow", measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. Reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, governmental funds are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings (including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are not capitalized with general fixed assets. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost, except for donated fixed assets, which are valued at their estimated fair value on the date donated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term liabilities financed from governmental funds are accounted for in the General Long-Term Debt Account Group rather than in governmental funds. Debt, capital leases, claims, and compensated absences not accounted for in proprietary funds are accounted for within this account group.

The two account groups are not "funds" and are concerned only with the measurement of financial position. The account groups are not involved with measurement of results of operations.

Special reporting treatments are also applied to governmental fund inventories to indicate that the inventories do not represent "available spendable resources," even though they are a component of net current assets.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

PROPRIETARY FUNDS

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided for using the straight-line method over estimated useful lives generally as follows:

Buildings and Structures	20-60 years
Public Improvements	20-100 years
Equipment	2.5-12 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

FIDUCIARY FUNDS

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D - BASIS OF ACCOUNTING

GOVERNMENTAL FUNDS

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Major revenues that are determined to be susceptible to accrual include property taxes, special assessments, grants-in-aid, intergovernmental revenues, rentals, and Intra-city charges. Interest on investments, short-term notes and loans receivable are accrued; interest on special assessments receivable is not accrued. Major revenues that are determined not to be susceptible to accrual because they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes and assessments, licenses, permits, fines and forfeitures.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due. Compensated absences, which include accumulated unpaid vacation, compensatory time and severance pay, are not payable from expendable available financial resources, except to the extent there are available resources in the Self-Insurance Internal Service Fund for vested severance pay. Accordingly, all compensated absences, other than those financed by the Self-Insurance Fund, are reported in the General Long-Term Debt Account Group. Compensated absences are considered expenditures when paid to employees.

PROPRIETARY FUNDS

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned. Unbilled utility service receivables are recorded at year-end. Expenses are recognized when they are incurred. Compensated absences are considered expenses when they are incurred.

In accordance with GASB Statement No. 20-Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the City has chosen not to apply accounting standards issued by the Financial Accounting Standards Board after November 30, 1989, to its proprietary funds.

E - BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Capital projects funds adopt project-length budgets and budgetary control for debt service funds is achieved through general obligation bond indenture provisions.

The 2000 process for the 2001 budget involved the following:

April 24	Capital budget requests were submitted by departments.
June 23	The Mayor and City Council adopted 2001 City Goal, Objectives and Outcome measures.
June-July	Organizational work teams met to develop service priorities and service redesigns for each City Goal for mayoral review.
August 8	The Mayor provided departments with budget directions and service priorities.
August 9 – September 18	Departments developed detailed budget recommendations.
September 13	The Board of Estimate and Taxation set the maximum pay 2000 tax levies.
November 9	The Mayor presented recommended operating and capital budgets.
November 14 – December 13	The City Council reviewed the Mayor's recommended budgets.
November 14 – December 1	The City Council held public hearings on the budgets.
December 11	"Truth in Taxation" public hearing.
December 14	The City Council adopted the final operating budget and tax levies.

The legal level of budgetary control is at the department level within a fund. The City Coordinator's Office and the Public Works Department are considered to be legal levels of budgetary control within a fund even though budgetary data is presented at the level of the Departments within the Coordinator's Office and the Divisions within the Public Works Department. Budgetary amendments at the department/fund level must be approved by the City Council. Appropriations lapse at year-end.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Purchase orders, contracts, and other commitments are recorded as encumbrances, which reserve appropriation authority. This accounting practice is an extension of formal budgetary integration in the general and special revenue funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent GAAP expenditures.

Supplemental budget revisions were made during the course of the year and the effects of these revisions are summarized below:

	Expenditure Budget at beginning of year	Changes during year	Expenditure Budget at end of year
General Fund	$241,207	$8,740	$249,947
Grants – Federal	11,972	30,214	42,186
CDBG	22,972	3,254	26,226
Grants - Other	9,588	8,507	18,095
Convention Center	64,561	(9,056)	55,505
Employee Retirement	9,969	3,291	13,260
Board of Est. and Taxation	227	5	232
Municipal Building Comm.	6,476	527	7,003
Police Spec. Rev.	1,184	151	1,335
Arena Reserve	-	4,931	4,931
Community Development Ag.	33,136	59,125	92,261
TOTAL	$401,292	$109,689	$510,981

F - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments. The City maintains a general portfolio which is a pool of investments covering pooled cash and cash equivalents for the Primary Government as well as the discretely presented component units of the Park Board and the Library Board. The City has contracted with three investment management firms for management of some of these investments. The City also, from time to time, invests non-pooled cash within individual funds. All investments are reported at fair value.

Minnesota Statutes Chapter 118A and the City Charter require the city to collateralize deposits at designated depositories. The City Finance Officer has arranged for the Federal Reserve Bank of Minneapolis to act as the City's agent in the safekeeping of securities as collateral.

In accordance with Minnesota Statutes Chapter 118A, and with the City Charter, the City invested in (1) direct, guaranteed or insured obligations of the U.S. Treasury, (2) shares of an investment company (with restrictions), (3) general obligations of government jurisdictions (with restrictions), (4) bankers acceptances, (5) commercial paper, (6) guaranteed investment contracts (with restrictions), (7) repurchase agreements (with restrictions) and (8) common stock (restricted to Library Board and as authorized by 1967 Minnesota laws).

The City and its investment management firms will exercise extreme caution in the use of derivative instruments, keeping abreast of future information on risk management issues and will consider derivatives only when a sufficient understanding of the products and expertise to manage them has been developed and analyzed. Any derivatives will also be required to pass the stress testing requirements of Minnesota Statutes Chapter 118A.

Interest income in the investment pool, net of daily amortization of premiums and discounts, is calculated daily and allocated to participating funds based on each fund's share of equity (positive or negative) in the investment pool. Some funds, such as debt service funds, retain their daily allocation of interest income while other funds, which are not required to retain their allocated interest, pass the interest on to either the City General Fund or to the Community Development Agency Special

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Fund. The proprietary funds of the City may, from time to time, have negative equity in the investment pool and as a result may be required to pay a Capital Use Charge as Interest on Interfund Loans based on Council policy. Also, periodically the City distributes interest income from its General Fund to various projects below the fund level, as may be required, on the basis of the calculated average daily cash balance of the project and the average yield of the City's general portfolio.

G - INVENTORIES OF MATERIALS AND SUPPLIES

Depending on the nature of the item, inventories are valued using the moving average valuation method or using the last price of the item purchased. Also, and depending on the nature of the item or the fund in which the inventory is recorded, the costs of inventories are recorded as expenses/expenditures when purchased, or when consumed rather than when purchased.

H - LOANS RECEIVABLE

Loans receivable recorded in the enterprise funds consist primarily of low interest home improvement and home mortgage loans, which are secured by either a first or second mortgage. Interest on loans is recorded where applicable.

Several developers under various financial arrangements have agreed to pay back development loans only if certain events occur. Because the likelihood of these events occurring is unknown, these loans are not presented in the accompanying financial statements. These loans include redevelopment agreements, neighborhood economic, commercial, and housing development loans, and second mortgages on rehabilitated homes. Some of these loans may be forgiven for continued owner occupancy, the attainment of certain employment goals, or the continuation of specified services.

I - PROPERTIES HELD FOR RESALE - ENTERPRISE FUNDS

Properties held for resale in the Community Development Agency Enterprise Fund have been obtained as a result of repossessions in default situations. Repossessed properties are held solely to be re-marketed as part of the programs' ongoing operations. They are valued at the outstanding principal balance of the related bonds, which is not in excess of the realizable value; or are valued at the amount of the related loan balance at the time of default plus subsequent improvement costs.

J - DEBT SERVICE AND REQUIREMENTS

The debt service funds service all long-term obligations with the exception of bonds payable recorded within the proprietary funds. Some general long-term debt obligations are serviced in part by Council approved transfers from enterprise funds.

Minnesota State Law requires agencies issuing general obligation bonds to certify an irrevocable tax levy to the County Auditor covering annual principal and interest requirements plus 5% (deducting, in certain cases, estimated tax increments and certain other revenue) at the time bonds are issued. The annual tax levy can be reduced by an amount equal to the issuing agency's annual certification of funds on hand.

K - PROPERTY TAX

Property tax levies are approved and certified to the County in December prior to the year collectible. The County acts as a collection agency. Such tax levies constitute a lien on the property on January 1st of the year collectible. Taxes are payable to the County in two installments by the fifteenth day of May and the fifteenth day of October. City property taxes are recognized as revenues when they become measurable and available to finance expenditures of the current period.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L - TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Interfund eliminations have not been made in the aggregation of this data.

M – COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, Certain reclassifications have been made to prior year's data to conform to the December 31, 2001 financial statement presentation. These reclassifications had no effect on income or fund equity as previously reported.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's and its discretely presented component units' bank balances of deposits at December 31, 2001, were entirely insured or collateralized with securities held and segregated by the Federal Reserve in the name of the City or the MCDA. The City does not maintain a separate record of investments for discretely presented component units. As a result, the investment amounts reported by Credit Risk Category include the primary government and discretely presented component units.

Investments are categorized into three categories of custodial credit risk as follows:

- Insured or registered, or securities held by the City or its agent in the City's name.
- Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Investments at December 31, 2001:

Security Type	Custodian Credit Risk Category 1	2	3	Fair Value
U.S. Treasury Obligations	$ 37,930	$ 26	$ 600	$ 38,556
U.S. Federal Agency Obligations	199,687	23,509	695	223,891
Municipal Bonds	38,916	-	-	38,916
Corporate Bonds	-	-	608	608
Commercial Paper	9,999	-	-	9,999
Common Stock	-	-	3,504	3,504
	$ 286,532	$ 23,535	$ 5,407	
Mutual Fund				193,883
Insurance Annuities - Trustee				680
Guaranteed Investment Contracts				47,607
Total				$ 557,644

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

RECAP

Deposits and investments as described above appear in the financial statements consistent with the following analysis:

Deposits	$	18,041
Investments		557,644
Imprest cash held by City		242
Total	$	575,927
Primary Government:		
Cash and cash equivalents	$	414,875
Fund investments		34,931
Deposits with fiscal agents		680
Investments with trustees		96,996
Total primary government	$	547,482
Discretely Presented Component Units:		
Park Board:		
Cash and cash equivalents	$	18,372
Library Board:		
Cash and cash equivalents	$	3,944
Fund investments		6,129
Total Library Board	$	10,073
Total	$	575,927

NOTE 3 - LONG-TERM RECEIVABLES

According to the Basic Resolution and Indenture of the General Agency Reserve Fund System (GARFS) within the Community Development Agency Enterprise Fund, agreements are to be formed with developers receiving funds for construction. Such agreements are in the form of capitalized leases or notes receivable.

The annual lease and loan payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds, net of any unexpended construction fund proceeds. Each lease agreement includes a bargain purchase option exercisable at the end of the lease term. In addition, the leased property may be purchased at various anniversaries during the lease term at amounts at least equal to the outstanding principal amount of the underlying bonds. In the event developers are unable to continue with lease and loan payments, the MCDA takes possession of the developed property.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 3 - LONG-TERM RECEIVABLES (continued)

The future payment requirements for these agreements are as follows:

	Capitalized Leases	Notes Receivable
Scheduled Lease Payments:		
2002	$ 5,664	$ 1,152
2003	5,349	1,153
2004	5,273	1,154
2005	5,083	1,150
2006	4,928	1,152
2007 and thereafter	42,336	7,435
Subtotal	68,633	13,196
Less: Interest over lease term	(25,473)	(3,971)
Total Principal	43,160	9,225
Less: Unexpended construction funds	(675)	-
Net Capitalized Leases and Notes receivable	42,485	9,225
Less: Current Portion	(2,815)	(610)
Noncurrent Portion	$ 39,670	$ 8,615

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets during 2001 is as follows:

	Balance 1/1/01	Additions	Deductions	Balance 12/31/01
Land	$ 136,641	31,895	24,995	143,541
Buildings and Structures	324,840	6,114	7	330,947
Improvements Other than Buildings	9,827	477	-	10,304
Equipment	30,841	2,557	2,582	30,816
Total	$ 502,149	41,043	27,584	515,608

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 4 - FIXED ASSETS (Continued)

A summary of proprietary fund type fixed assets at December 31, 2001 is as follows:

	Enterprise Funds	Internal Service Funds
Land, Leaseholds and Easements	$ 123,865	3,112
Buildings and Structures	348,303	27,322
Public Improvements	186,212	3
Machinery and Equipment	16,158	44,034
Computer Equipment	3,058	2,407
Software	4,139	1,210
Other Capital Outlay	126	201
Construction in Progress	88,418	873
Total	770,279	79,162
Less: Accumulated Depreciation	(175,266)	(30,716)
Net Fixed Assets	$ 595,013	48,446

NOTE 5 - LONG-TERM DEBT

The City's full faith and credit and taxing power has been pledged to the payment of general obligation debt principal and interest.

General Obligation Bonds (Property Tax Supported)

Various issues of general obligation bonds are recorded in the General Long-Term Debt Account Group and are backed by the full faith and credit of the City.

General Obligation Bonds (Self-Supporting)

General obligation self-supporting bonds issued by the City are recorded in the Enterprise Funds, Internal Service Funds or General Long-Term Debt Account Group. While these bonds are backed by the full faith and credit of the City, they are payable from revenue derived from the function for which they were issued.

General Obligation Special Assessment Bonds

General obligation special assessment bonds are recorded in the General Long-Term Debt Account Group and are payable from special assessments levied and collected for local improvements and are backed by the full faith and credit of the City. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in special assessment districts are insufficient to retire outstanding bonds.

General Obligation Tax Increment Bonds

General obligation tax increment bonds are payable primarily from the increase in property taxes resulting from replacing older improvements with new or remodeled improvements. These bonds are recorded in the General Long-Term Debt Account Group and are also backed by the full faith and credit of the City.

NOTE 5 - LONG-TERM DEBT (Continued)

Revenue Bonds and Notes

Revenue bonds and notes are recorded in the Enterprise Funds or General Long-Term Debt Account Group. These bonds and notes are payable solely from revenues of the respective Enterprise Funds or tax increment districts. In addition, the City has pledged one-half percent of tax capacity to secure payment of bond principal and interest on all bonds issued after May 22, 1987, for the GARFS within the Community Development Agency Enterprise Fund.

Sinking Fund Provisions

Sinking fund provisions on certain general obligation bonds require sufficient deposits on or before October 1st of each year to pay all principal and interest amounts coming due on such bonds for the remainder of the current year, and during all of the following year. If this provision is not met, a general tax levy will be made for the balance required.

Minnesota State Laws generally require initial tax levies for general obligation bonds to be at least five percent in excess of the bond and interest maturities less estimated pledged assessments and revenues. The initial tax levies cannot be repealed and can only be modified as they relate to current levies and then only upon certification to the Director of Property Taxation that funds are available to pay current maturities in whole or in part.

As to the Tax Increment Revenue Refunding Bonds, a separate sinking fund has been provided. These bonds are special limited obligations of the City payable from tax increments and investment earnings in the sinking fund. The City is required to have a reserve in the sinking fund equal to the lesser of maximum principal and interest due on the bonds in any succeeding bond year or 125 percent of average principal and interest due on the bonds in the succeeding bond years. In addition, the Municipal Bond Insurance Association insures payment of principal and interest on the bonds.

2001 Bond Sales

In August 2001, the City issued $93,000 of General Obligation Various Purpose Bonds, Series 2001 and $9,245 General Obligation Improvement Bonds, Series 2001. The Various Purpose Bonds were issued for a variety of public works sewer, water, parking and general infrastructure projects, fleet equipment purchases, park and library improvements, information technology systems, municipal building commission projects and public safety initiative projects. A portion of the various purpose bonds $25,620 were used to convert variable rate debt to fixed rate debt. The Various Purpose Bonds have interest rates ranging from 4.0% to 5.125% and have a final maturity date of December 1, 2028. The General Obligation Improvement Bonds were issued for several special assessment projects and have interest rates ranging from 4.0% to 5.00% and have a final maturity date of December 1, 2021.

In October 2001, the City issued $36,400 of General Obligation Convention Center Bonds, Series 2001. The Convention Center Bonds were issued to complete the financing of a major expansion to the Minneapolis Convention Center consisting of exhibit space, meeting rooms, an auditorium and a lobby. The bonds were issued as variable rate bonds with an initial interest rate of 2.00% and will be reset weekly. The final maturity date of these bonds is December 1, 2009.

In November 2001, the City issued $15,275 of Taxable General Obligation Tax Increment Bonds, Series 2001A, $1,100 of General Obligation Tax Increment Bonds, Series 2001B and $4,500 of General Obligation Tax Increment Bonds, Series 2001C. The Series 2001A & B Bonds were issued for the West Side Milling development project and for the call of existing variable rate bonds associated with this project. The Series 2001C Bonds were issued for the Humboldt Greenway development project. The Series 2001A Bonds were issued at interest rates ranging from 4.90% to 6.00% and have a final maturity date of February 1, 2026. The Series 2001B Bonds were issued at interest rates ranging from 4.25% to 5.00% and have a final maturity date of February 1, 2026. The Series 2001C Bonds were issued at interest rates ranging from 4.00% to 5.00% and have a final maturity date of February 1, 2028.

In April and May 2001, the MCDA issued, through the General Agency Reserve Fund System Enterprise Fund, $33,290 of Revenue Bonds. The bonds were issued to provide financing of acquisition and improvement, of authorized facilities. The bonds have yields ranging from 3.50% to 5.875% and final maturity dates ranging from December 1, 2006 to October 1, 2031.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (Continued)

Subsequent to 2001, on February 1, 2002, the City of Minneapolis received the final grant payment of $81,527 from the State of Minnesota to be used for payment of principal on the original debt associated with the Minneapolis Convention Center. On April 1, 2002, the City called for early redemption $81,235 of the General Obligation Sales Tax Refunding Bonds, Series 1992 as stipulated in the grant agreement. These bonds were part of the outstanding debt of the original Minneapolis Convention Center project. After the normally scheduled debt service on April 1, 2002 and this call of bonds, the remaining outstanding debt on the expanded Minneapolis Convention Center and associated facilities was $334,630.

A summary of General Obligation Debt and Revenue Bonds/Notes at December 31, 2001 follows:

General Long-Term Debt Account Group - Bonds and Notes		
General Obligation Bonds (Property Tax Supported)		$ 69,360
General Obligation Bonds (Self-Supporting)		412,230
General Obligation Special Assessment Bonds		40,945
General Obligation Tax Increment Bonds		233,965
Revenue Bonds		103,726
Revenue Notes		32,488
	Total	$ 892,714
Proprietary Funds - Bonds and Notes		
General Obligation Bonds (Self-Supporting)		$ 417,672
General Agency Reserve Fund System Bonds		80,610
Mortgage Revenue Bonds		22,155
Revenue Notes		7,406
	Total	$ 527,843

The following is a summary of changes in bonds payable of the City for the year ended December 31, 2001:

	General Long-Term Debt	Proprietary Funds
Bonds payable at January 1, 2001	$ 849,476	$ 527,385
Bonds issued	101,044	91,767
Bonds retired	(90,294)	(98,715)
Total bonds payable at December 31, 2001	$ 860,226	$ 520,437

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (Continued)

Annual requirements to amortize all bonds outstanding as of December 31, 2001 follows:

Year	Principal	Interest *	Total
2002	110,070	83,577	193,647
2003	96,965	83,677	180,642
2004	83,130	82,987	166,117
2005	89,281	80,336	169,617
2006	93,830	77,421	171,251
2007-2011	386,400	280,314	666,714
2012-2016	274,242	111,424	385,666
2017-2021	138,160	46,594	184,754
2022-2026	81,400	18,704	100,104
2027-2031	27,185	3,534	30,719
Total	$ 1,380,663	868,568	2,249,231

* Includes variable rate bonds calculated at 5%. In 2001 rates ranged from 1.0% to 4.4%

2001 Notes

In April, the City entered into a $3,900 Section 108 HUD Agreement for financing infrastructure related improvements for the Heritage Park (Near North) Redevelopment project. The Note is to be repaid with Tax Increment revenues generated by the project. The note bears variable rate interest and has a final maturity date of August 1, 2020.

The MCDA issued tax increment revenue notes for financing of a loan program to finance business and housing expansion in Minneapolis. In March, June and November 2001, notes of $2,737, $6,739 & $4,000 respectively were issued for expansion of business and housing loans. The notes have variable yields and final maturities ranging from March 20, 2006 to December 1, 2031.

The following is a summary of changes in notes payable of the City for the year ended December 31, 2001:

	Long-Term Debt	Proprietary Funds
Long-Term Notes Payable at January 1, 2001	$ 14,478	$ 9,083
Notes issued	18,986	-
Notes retired	(976)	(1,677)
Long-Term Notes Payable at December 31, 2001	$ 32,488	$ 7,406

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (Continued)

Annual requirements to amortize notes outstanding as of December 31, 2001 follows:

Year	Principal	Interest	Total
2002	$ 6,332	$ 1,620	$ 7,952
2003	1,313	1,371	2,684
2004	901	1,323	2,224
2005	827	1,294	2,121
2006	10,154	1,127	11,281
2007-2011	3,764	1,427	5,191
2012-2016	2,763	829	3,592
2017-2021	1,805	540	2,345
2022-2026	1,205	345	1,550
2027-2031	1,630	148	1,778
*	9,200	-	9,200
Total	$ 39,894	10,024	49,918

* The terms of the 1991 tax increment revenue note require payments of principal and interest solely from available tax increment generated in the related tax increment district. Consequently, the annual requirements to amortize notes outstanding does not include interest on the $9,200 note.

Loans Payable

The Community Development Agency Enterprise Fund includes a program in which revenue bonds are issued to finance economic development. Revenue bonds are also issued through this program to finance governmental projects. The debt service payments for these bond issues (which are not backed by the full faith and credit of the City) will be generated from governmental activity. The bonds are recorded in the Community Development Agency's Enterprise Fund, which issued the debt. The governmental obligation to provide funds is recorded in the General Long-Term Debt Account Group as Loans Payable. The Loans Payable obligation was $28,225 at December 31, 2001. A summary of changes in loans payable for 2001 follows:

Payable January 1, 2001	$ 6,585
Changes	21,640
Payable December 31, 2001	$ 28,225

Operating Leases Payable

Operating lease liability attributable to governmental funds is included in the General Long-Term Debt Account Group. A summary of changes in operating leases payable for 2001 follows:

Payable January 1, 2001	$ 714
Changes	(76)
Payable December 31, 2001	$ 638

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (Continued)

Capital Leases Payable

Capital lease liability attributable to governmental funds is included in the General-Long-Term Debt Account Group. A summary of changes in capital leases payable for 2001 follows:

Payable January 1, 2001	$ 154
Changes	(124)
Payable December 31, 2001	$ 30

Compensated Absences

Accrued liabilities for compensated absences attributable to governmental funds are included in the General Long-Term Debt Account Group. A summary of changes in compensated absences for 2001 follows:

	General Long-Term Debt	Enterprise Funds	Internal Service Funds
Payable January 1, 2001	$ 20,580	1,824	5,124
Changes	(567)	35	(3,466)
Payable December 31, 2001	$ 20,013	1,859	1,658

Contracts Payable

The MCDA is obligated under a contract to purchase a property. The contract calls for payments to be made over the next 9 years. Ownership of the property does not transfer to MCDA until the end of the contract. Total contractual obligations were $274 at December 31, 2001. A summary of changes in contracts payable for 2001 follows:

Payable January 1, 2001	$ 299
Changes	(25)
Payable December 31, 2001	$ 274

NOTE 6 - INDUSTRIAL, COMMERCIAL AND HOUSING REVENUE BONDS AND NOTES

As of December 31, 2001, the City had industrial, commercial and housing revenue bonds and notes approximated $1.07 billion. The bonds are payable solely from revenues of the respective enterprises and do not constitute an indebtedness of the City and therefore, are not a charge against the City's general credit or taxing power.

NOTE 7 - PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation bonds and self supporting revenue bonds by placing the proceeds of the refunding issues in special escrow accounts and investing in securities of the U.S. Government and its Agencies. The

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 7 - PRIOR YEAR DEFEASANCE OF DEBT (Continued)

maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City remains contingently liable to pay the refunded bonds. The balance outstanding of the extinguished debt as of December 31, 2001 is $75,422.

NOTE 8 - DEMAND BONDS

The City has issued General Obligation demand bonds maturing serially through December 1, 2027, in the original amounts of $23,230, $26,845, $28,200, $24,000, $2,640, $38,000, $27,000, $88,400, $2,960, $29,000, $88,800 and $36,400. The bonds were issued pursuant to resolutions adopted by the City Council and the proceeds were used to finance a portion of the cost of constructing certain local improvements.

The remaining redemption schedule for these bonds is as follows:

Year	Amount
2002	21,490
2003	12,190
2004	10,765
2005	15,060
2006	14,435
2007	12,755
2008	13,200
2009	14,280
2010	12,215
2011	10,840
2012	16,890
2013	18,940
2014	21,010
2015	21,080
2016	21,150
2017	21,230
2018	21,320
2019	1,420
2020	1,510
2021	1,620
2022	1,740
2023	1,870
2024	2,000
2025	2,150
2026	2,300
2027	2,470
Total	$ 295,930

The bonds are subject to purchase on the demand of the holder at a price equal to the principal plus accrued interest on delivery to the City's Remarketing agents. The Remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 8 - DEMAND BONDS (Continued)

These demand bonds are backed by the full faith, credit and taxing power of the City and are included in long-term debt. Under irrevocable Standby Bond Purchase Agreements issued by HypoVereinsbank, acting through its New York branch, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are for the original sale amount and are valid for five years from the sale date, subject to extension with the agreement of the Bank, and carry a rate equal to the Federal Funds rate plus one-half of one percent per annum with respect to amounts advanced. The expiration dates for the Standby Bond Purchase Agreements range from June 19, 2002 to June 13, 2006. Amounts advanced under the Standby Bond Purchase Agreements are due on the expiration date of the agreement.

The City has the option to convert all of the bonds from a variable interest rate to a fixed interest rate, which shall be determined by the Remarketing Agent on a date not more than 35 days or less than ten days prior to the proposed conversion date.

The City is required to pay to HypoVereinsbank an annual commitment fee of one-eighth of one percent per annum of the outstanding principal amount of the bonds and the same rate on the maximum interest payments on certain of these issues. The Remarketing agent receives a fee equal to one-tenth of one percent of the principal amount of bonds held by the public. Subsequent to December 31, 2001, the City redeemed $9,600 of the above demand bonds prior to the scheduled maturities. On January 1, 2002, the City called the remaining $4,000 of the $27,000 of temporary financing for the 900 Nicollet Mall Parking and Skyway Project. On November 15, 2001, the issued $15,275 of fixed rate tax increment bonds for the West Side Milling District project and on February 1, 2002, the City used a portion of the proceeds to call all $5,600 of variable rate maturities related to the West Side Milling District project.

NOTE 9 - LEASES

Capital Leases

The MCDA has various capital leases for its operations. The following is a schedule of the future minimum lease payments under the capitalized leases, together with the present value of the net minimum lease payments as of December 31, 2001:

Year ending December 31,	Amount
2002	$ 23
2003	10
Total minimum lease payments	33
Less: amount representing interest	3
Present value of net minimum Lease payment	$ 30

Operating Leases

The MCDA leases office space and equipment for its operations. The lease for office space expires in the year 2016, and the office space lease payments were $315 in 2001. The equipment lease periods vary from one to four years, and the equipment lease payments were $92 in 2001. In addition, the MCDA leases equipment, uniforms, and office space for its theatre operations. These lease periods vary from one to four years, and the lease payments were $78 in 2001.

The City leases computer equipment for various operations. The leases for computer equipment expire in the years 2002, 2003 and 2004, and the computer equipment lease payments were $2,700 in 2001.

The future minimum lease payments for operating leases are as follows:

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 9 - LEASES (Continued)

Year ending December 31	Amount
2002	$ 1,920
2003	1,027
2004	759
2005	619
2006	536
Thereafter	7,072
Total minimum lease payments	$ 11,933

Operating leases with scheduled rent increases

The City leases office space for various operations. The leases contain scheduled rent increases with terms varying from three to twelve years. The operating lease transactions are measured on a straight-line basis over the lease term per GASB Statement No. 13-Accounting for Operating Leases with Scheduled Rent Increases. Application of the straight-line basis to the total lease expenditures of $8,113 over the lease terms results in a total annual lease amount of $1,026.

For 2001, the amount of lease expenditures is as follows:

	Amount
Operating leases	$ 1,026
Add: amount deducted from GLTDAG	76
Total expenditures	$ 1,102

The future minimum lease expenditures for operating leases with scheduled rent increases are as follows:

Year	Amount
2002	$ 971
2003	883
2004	785
2005	304
2006	111
Thereafter	457
Total minimum lease payments	$ 3,511

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 10 – DUE FROM AND TO OTHER FUNDS

Amounts due from other funds and due to other funds as of December 31, 2001, are listed below:

	Due From Other Funds	Due To Other Funds
GENERAL FUND	$ 986	$ 2,824
SPECIAL REVENUE FUNDS:		
Minneapolis Community Development Agency	7,291	3,935
Community Development Block Grant	3	5,406
Employee Retirement	3,150	-
Grants – Federal	13	1,093
Grants – Other	183	2
Police	-	11
Board of Estimate and Taxation	12	-
DEBT SERVICE FUNDS:		
Minneapolis Community Development Agency	3,578	-
CAPITAL PROJECTS FUND:		
Minneapolis Community Development Agency	-	132
Permanent Improvement	832	-
ENTERPRISE FUNDS:		
Minneapolis Community Development Agency	-	3,579
Municipal Parking	17,317	362
River Terminal	-	150
Sewer Rental	227	438
Solid Waste and Recycling	415	28
Water Works	5,841	910
INTERNAL SERVICE FUNDS:		
Engineering Materials	6	-
Intergovernmental Services	1,353	3,250
Property Service	3	1,300
Permanent Improvement Equipment	24	8,675
Public Works Stores	-	846
Self Insurance	236	8,200
AGENCY FUNDS:		
Minneapolis Community Development Agency	-	329
TOTAL ALL FUNDS:	$ 41,470	$ 41,470

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 11 - ADVANCES TO AND FROM OTHER FUNDS

Advances between funds as of December 31, 2001, are listed below:

	Advances to Other Funds	Advances from Other Funds
SPECIAL REVENUE FUNDS:		
Minneapolis Community Development Agency	$ 2,783	$ 800
Convention Center	12,800	-
CAPITAL PROJECTS FUNDS:		
Minneapolis Community Development Agency	13,446	12,411
Permanent Improvement	-	500
ENTERPRISE FUNDS:		
Minneapolis Community Development Agency	-	10
Municipal Parking	500	3,008
INTERNAL SERVICE FUNDS:		
Intergovernmental Services	-	12,800
Total Interfund Advances	$ 29,529	$ 29,529

NOTE 12 - CONTRIBUTED CAPITAL

The changes in the enterprise funds' contributed capital accounts follows:

Source	Community Development Agency	Municipal Parking	Sewer Rental	Solid Waste and Recycling	Water Works	Total
Contributed capital – January 1, 2001	$7,698	55,729	36,745	2,321	23,315	125,808
Credit arising from transfer of depreciation to contributed capital	-	(448)	(330)	-	(127)	(905)
Contributed capital – December 31, 2001	$7,698	55,281	36,415	2,321	23,188	124,903

The changes in the internal service funds' contributed capital accounts follows:

Source	Engineering Materials and Testing	Inter-Governmental Services	Permanent Improvement Equipment	Public Works Stores	Total
Contributed capital - January 1, 2001	$184	$904	$11,949	$1,096	$14,133
Contribution for construction	-	-	-	-	-
Contributed capital - December 31, 2001	$184	$904	$11,949	$1,096	$14,133

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 13 - RETAINED EARNINGS - RESERVED

		Amount
Enterprise Funds:		
Retained Earnings Reserved for:		
Debt service	$	25,245
Renewal and replacement		2,029
Total Enterprise Funds	$	27,274
Internal Service Funds:		
Retained Earnings Reserved for:		
Future contingencies		28
Renewal and replacement		731
Total Internal Service Funds	$	759

NOTE 14- FUND BALANCE-RESERVED

		Amount
General Fund:		
Fund Balance Reserved for:		
Encumbrances	$	439
Materials and Supplies Inventory		678
Total General Fund	$	1,117
Special Revenue Funds:		
Fund Balance Reserved for:		
Encumbrances	$	5,994
Prepaid Items		34
Loans		118
Advances		15,583
Future Contingencies		427
Total Special Revenue Funds	$	22,156
Capital Project Funds:		
Funds Balance Reserved for:		
Encumbrances	$	31,707
Advances		13,446
Specific capital projects		177,445
Total Capital Projects Funds	$	222,598
Total Fund Balance-Reserved	$	245,871

For the fiscal year ended December 31, 2001 | (Dollar Amounts Expressed in Thousands)

NOTE 15 - FUND BALANCE-UNRESERVED-DESIGNATED

	Amount
Debt Service Funds:	
Funds Balance Unreserved-Designated for:	
Debt Service	$ 51,038

NOTE 16 - DEFICIT RETAINED EARNINGS

The following funds had Retained Earnings deficits as of December 31, 2001:

	Deficit End of Year
Internal Service Funds:	
Intergovernmental Services	$ (15,408)
Property Services	(2,087)
Self-Insurance	(45,078)
Permanent Improvement Equipment	(3,701)

The City has developed strategies to control costs and increase annual financial resources and eliminate the retained earnings deficits, over several years, in the Intergovernmental Services Internal Service Fund, Lands and Buildings Internal Service Fund, and the Permanent Improvement Equipment Internal Service Fund. In September of 2000, the City adopted a workout plan for the Intergovernmental Services (ITS) fund. The workout plan includes:

- A refunding of current variable rate debt
- A reduction of future *capital* expenditures
- A reduction of future *operating* expenditures
- Increasing operating revenue by raising rates

The City does not intend to fully fund the actuarially determined liability and intends to pay annual claims in the Self-Insurance Internal Service Fund as they arise while maintaining a modest cash reserve.

NOTE 17 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

All firefighters and police officers hired after June 15, 1980, and other full-time and certain part-time employees of the City hired after June 30, 1978, except employees of the MCDA, are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost sharing,

NOTE 17 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes chapters 353 and 356.

The police officers and firefighters are covered by the PEPFF. All other full-time and certain part-time employees covered by the defined benefit pension plans administered by the PERA are members of the PERF. PERF members of the City belong to the Coordinated Plan and are covered by Social Security.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent for each year of service.

For all Public Employees Police and Fire Fund members and Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree; no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained by writing to PERA, 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-1855, or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Coordinated Plan members are required to contribute 4.75 percent of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.2 percent of their annual covered salary.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 17 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

The City is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Coordinated Plan members	5.18 %
Public Employees Police and Fire Fund	9.30 %

Member and employer contribution rates for coordinated Plan members will increase by 0.35 percent effective January 2002.The City contributions for the years ending December 31, 1999, 2000 and 2001, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	PERF	PEPFF
1999	$ 4,473	$ 5,369
2000	4,886	5,337
2001	5,239	5,655

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

NOTE 18 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description

All full-time City employees hired on or before June 30, 1978, other than firefighters, police officers, and employees of the MCDA, are covered by the Minneapolis Employees Retirement Fund (MERF), a defined benefit pension plan which is a cost-sharing, multiple-employer retirement plan. This plan is administered in accordance with Minnesota Statutes Chapter 422A.

The MERF pension plan provides pension benefits, deferred annuity, and death and disability benefits as set by state statute. Members are eligible for service retirement either:

1) With 30 or more years of service at any age; or
2) At age 60 with three or more years of service; or
3) At age 65 with one year of service; or
4) With 20 or more years of service at age 55 under the Two Dollar Bill method of retirement (money purchase plan), if a MERF member prior to June 28, 1973.

The MERF provides a number of retirement options from which the member may choose. The maximum benefit one may receive is a retirement allowance payable throughout life. Participants may receive lesser retirement allowances if they choose payments for a guaranteed number of years, request a certain percent or dollar amount of their retirement allowances to go to a beneficiary or if they chose to provide for a certain amount to be paid out upon death. The benefit amount for all options, except the money purchase plan, is calculated based on the average of the highest five years salary within the last ten years of employment and years of creditable service at the date of retirement. The member will receive a benefit amount equal to 2 percent of that average salary for each of the first ten years of service, and 2.5 percent of that salary for each year over ten years of service.

A monthly retirement benefit is available to employees who have under three years of service in the MERF, but only when these years, combined with service in other Minnesota statewide retirement systems, total three or more years. A monthly retirement benefit is also available to employees who have less then three years of combined allowable service in any of the qualifying funds, provided the employee works until age 65.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 18 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND (Continued)

Employees who leave public service before retirement and before age 60 may receive a refund of all personal contributions, with interest, except for the survivor benefit contribution, which is the equivalent of a non-refundable term insurance premium. Employees who leave public service after age 60 may not withdraw personal contributions with interest unless they have worked under three years and do not qualify for monthly retirement benefits.

Pension provisions include death benefits for a beneficiary or surviving spouse, and disability benefits for a disabled employee, as defined by the fund.

The MERF issues a publicly available financial report that includes financial statements and required supplementary information for the MERF. This report may be obtained by writing to MERF, 706 – Second Avenue South, #800, Minneapolis, Minnesota 55402, or by calling (612) 335-5950.

Funding Policy

Minnesota Statutes Chapter 422A sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Employees contribute 9.25% of salary into the Deposit Accumulation Reserve and .50% of salary (subject to annual adjustment) into the Survivor Benefits Reserve. Employers, including the City, contribute any excess of normal cost contributions of 9.75% of salary. The unfunded actuarial liability is funded partially by payments each year of 2.68% of salary plus $3,900 from all employers. MERF has a target date of June 30, 2020 to fully amortize the unfunded liability. The City levies taxes to finance the employer's share of pension costs for the General Fund.

The City's contributions for the years ended June 30, 1999, 2000, and 2001, for the MERF were:

1999	$8,749
2000	$7,601
2001	$7,326

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

NOTE 19 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION MINNEAPOLIS POLICE RELIEF ASSOCIATION

Plan Description

Firefighters and police officers hired prior to June 15, 1980, are members of their respective relief associations. Each Association is the administrator of a single-employer defined benefit pension plan. The Minneapolis Firefighter's Relief Association (MFRA) was established November 24, 1886. It operates under the provisions its bylaws and Minnesota State Law. The Minneapolis Police Relief Association (MPRA) was established on August 23, 1905, and it operates under the provisions of Minnesota Statutes, sections 423B.01-.18 and 69.80.

Each member who is at least 50 years of age and has five years of service with the Minneapolis Fire Department or the Minneapolis Police Department is eligible to receive a service pension, monthly, for the remainder of the member's life. All benefits are based on a plan of a number of units. A unit is 1/80th of the maximum current monthly salary of a first grade firefighter (MFRA) or a first grade patrol officer (MPRA). Pensions are based on current Minneapolis Fire Department payroll or Minneapolis Police Department payroll and are fully escalated for all persons receiving a pension benefit. Each vested MFRA member also receives a lump sum amount, at the time of separation, from the MFRA's General Fund based on the number of years the member has belonged to the MFRA.

NOTE 19 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION MINNEAPOLIS POLICE RELIEF ASSOCIATION (Continued)

A member is entitled to disability benefits in conformity with the provisions applicable to the association and the circumstances of the disability, not to exceed 41 units (MFRA) or 34 units (MPRA). Death benefits for a beneficiary or surviving spouse are also available.

The MFRA issues a publicly available financial report that includes financial statements and required supplementary information for the MFRA. The most recent report, dated December 31, 2000, may be obtained by writing to the Minneapolis Firefighter's Relief Association at 2021 East Hennepin Avenue, Suite 360, Minneapolis, Minnesota 55413. The MPRA issues a publicly available financial report that includes financial statements and required supplementary information for the MPRA. The most recent report, dated December 31, 2000, may be obtained by writing to the Minneapolis Police Relief Association, 10 - Second Street Northeast, Suite 103, Minneapolis, Minnesota, 55413.

Funding Policy

Authority for contributions to the MFRA and the MPRA pension plans is established by Minnesota Statutes, section 69.77 and may be amended only by the Minnesota State Legislature. The MFRA and the MPRA funding policies provide for contributions from the City, the State of Minnesota, and active plan members. City contributions are actuarially determined which requires full funding of the MFRA's accrued liability and the MPRA's accrued liability by the year 2010. The City contributed $ 1,938 to MFRA and $ 4,563 to MPRA for the fiscal year ended December 31, 2000. Employees under these plans contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary or eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent fire premium insurance aid and the amortization state aid to the MFRA and two percent peace officers' state aid to the MPRA.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 19 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION MINNEAPOLIS POLICE RELIEF ASSOCIATION (Continued)

The City's annual pension cost for the fiscal year ended December 31, 2000, and related information for each plan is as follows:

	MFDRA	MPRA
Annual pension cost	$1,938	$4,563
Contributions made	$1,938	$4,563
Actuarial valuation date	12/31/00	12/31/00
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	10 years, closed	10 years, closed
Asset valuation method	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
Actuarial assumptions:		
Investment rate of return	6% per annum	6% per annum
Projected salary increases:	4% per annum	4% per annum in 2000 10% per annum in 2001 3% per annum in 2002 4% per annum thereafter
Inflation	NA	NA
Cost-of-living adjustments	NA	NA

Three-Year Trend Information:

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed (%)	Net Pension Obligation
MFRA				
	1998	5,568	100	-
	1999	1,177	100	-
	2000	1,938	100	-
MPRA				
	1998	6,130	100	-
	1999	3,719	100	-
	2000	4,563	100	-

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last six years.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 19 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION MINNEAPOLIS POLICE RELIEF ASSOCIATION (Continued)

Required Supplementary Information
Schedules of Funding Progress:

MFRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
1998	300,150	284,874	(15,276)	105.4	11,357	-134.5
1999	318,043	291,168	(26,875)	109.2	10,040	-267.7
2000	315,900	293,802	(22,098)	107.5	9,653	-228.9

MPRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
1998	387,530	414,694	27,164	93.4	8,857	306.7
1999	427,122	447,596	20,474	95.4	7,504	272.8
2000	391,083	447,086	56,003	87.5	6,583	850.7

NOTE 20 - DEFINED CONTRIBUTION PLAN - MCDA

Plan Description

Qualified MCDA employees belong to a defined contribution pension plan administered by Union Central Life Insurance Company. A permanent employee becomes a participant in the plan on April 1 or October 1, following completion of his or her probationary period and after attaining age 20 1/2.

Benefits and contribution requirements are established and can be amended by the MCDA's board of commissioners. All provisions are within limitations established by Minnesota Statutes.

The payroll for employees covered by the MCDA's defined contribution plan for the year ended December 31, 2001, was $7,756 and the MCDA's total payroll was $8,526.

Contributions Required and Made

The MCDA and its employee participants are each required to contribute five percent of the participants' annual compensation to an investment fund administered by Union Central Life Insurance Company, which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate of 20 percent per year, for the employer's share of the contribution, and are 100 percent vested immediately for their individual contribution.

The MCDA and its employee participants each contributed $388 to the plan during the year, which amount represented five percent of the covered payroll.

NOTE 21 - POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in the Notes to the Financial Statements, the City provides post retirement health care premium offset, in accordance with Council Action, for Police and Fire Relief Association retirees. The City reimburses each pension organization the difference between the full premium and the amount withheld for health care coverage from retiree pension checks. Each year the Council appropriates $100 for this post employment benefit.

NOTE 22 - VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

Depending on the terms of their collective bargaining contract, or the policies applicable to their classification, employees may accumulate up to 35 days vacation.

Sick leave may be accumulated indefinitely by employees. Also, employees have the option of being paid once a year for current unused sick leave accumulated over a minimum base of 60 days or, under certain circumstances, MCDA employees may be allowed to have unused sick leave converted to vacation and added to their vacation balance. Payments are based on a sliding scale ranging from 50 percent to 100 hundred percent depending on the base level attained. In addition, under certain circumstances, employees leaving City employment may qualify to receive payment for 50 percent of their unused sick leave at their current rate of pay.

Employees, depending on their classification, and subject to prior approval of their supervisor, may earn compensatory time in lieu of paid overtime. Policies are in effect which are designed to place constraints on the amount of compensatory time an employee may accumulate.

NOTE 23 - ENTERPRISE FUND SEGMENT INFORMATION

The City maintains the following Enterprise Funds:

Community Development Agency

This fund is used to account for the enterprise fund activities of the MCDA (a component unit of the City of Minneapolis).

Municipal Parking

This fund is used to account for the operation, maintenance, and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.

River Terminal

This fund is used to account for the operations of the public terminal facility located on the Mississippi River.

Sewer Rental

This fund is used to account for sewage fees collected from customers connected to the City's sewer system and for all expenses of operating this system. This fund also accounts for storm water management activities.

Solid Waste and Recycling

This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 23 - ENTERPRISE FUND SEGMENT INFORMATION (Continued)

Water Works

This fund is used to account for the operation, maintenance, and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage, and solid waste fees.

	Community Development Agency	Municipal Parking	River Terminal	Sewer Rental	Solid Waste and Recycling	Water Works	Total
Operating revenues	$ 8,495	55,322	2,958	58,742	25,789	51,957	203,263
Depreciation	-	5,206	414	1,058	718	4,529	11,925
Operating income (loss)	5,573	14,889	(244)	15,255	1,072	10,274	46,819
Non-operating revenues (expenses):							
Special assessments	-	170	-	310	143	713	1,336
Operating transfers:							
In	1,585	13,934	-	-	166	-	15,685
Out	(635)	(13,582)	(97)	(2,521)	(183)	(3,013)	(20,031)
Net income (loss)	1,642	2,522	(352)	14,738	1,202	7,466	27,218
Credit arising from transfer of depreciation to contributed capital	-	448	-	330	-	127	905
Net working capital	66,331	15,008	87	18,131	7,136	9,682	116,375
Current assets	88,575	37,271	304	26,403	8,943	25,449	186,945
Non-current assets	76,161	316,297	9,652	119,369	4,139	146,867	672,485
Fixed assets:							
Additions	-	20,342		11,821	732	12,845	45,740
Deductions	-	2	-	73			75
Total assets	164,736	353,568	9,956	145,772	13,082	172,316	859,430
Long-term liabilities	108,984	253,111	-	44,035	318	55,000	461,448
Total fund equity	33,508	78,194	9,739	93,465	10,957	101,549	327,412

NOTE 24 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers' compensation, general liability, and re-employment. The workers' compensation program included the BET, the MBC, and all City departments. The Library Board, the MCDA, and the Park Board maintained their own workers' compensation programs. The City, the MBC and the BET are self-insured for tort liability. The MCDA, the Library Board, and the Park Board maintained their separate liability programs. The City, including all discrete and blended component units of government, also maintained a self-funded dental plan for covered employees. The claims liability of $25,543 reported in the Self-Insurance Internal Service Fund at December 31, 2001, is based on the requirements of GASB Statement No. 10-Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and covers the exposures of workers' compensation, liability, dental and re-employment.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 24 - RISK MANAGEMENT (Continued)

The City purchased excess insurance for its workers' compensation program from the Workers' Compensation Reinsurance Association (WCRA). The WCRA reimburses members for individual claim losses exceeding the City's retention limit. Workers' compensation coverage is governed by State of Minnesota statutes.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can reasonably be estimated. Liabilities include an amount for estimated claims administration expenses and an amount for claims that have been incurred but are not reported.

Dental coverage is based on plan design and includes coverage of up to $750 per person annually. Based on an actuarial review of the dental plan, it has been determined that the premium rates are sufficient.

There were no significant changes in coverage during fiscal year 2001, and for the three previous fiscal years settlements did not exceed coverage.

Changes in the claims liabilities during fiscal 2000 and 2001 were:

		2000		2001
Liability balance – January 1	$	21,855	$	29,582
Current year claims and changes in estimates		25,805		11,587
Claim payments		(18,108)		(15,626)
Liability balance – December 31	$	29,582	$	25,543

NOTE 25 - RELATED PARTY TRANSACTIONS

Theatre Live! Inc.

Theatre Live! Inc. is a promotion company affiliated with HTG, the theatre manager, of MCDA's Theatre Operations Program within its special revenue fund group. HTG principals have two seats on the nine-member board of Theatre Live! Inc.

	Year Ended December 31,2001
Events promoted by Theatre Live! Inc. at MCDA's theatres	187
Approximate use fees recorded for these events	$ 811
Advances on ticket sales to Theatre Live! Inc. at December 31, 2001	$ 645

Theatre Live! Inc. user fees paid to the Theatre Operations Program equaled 70 percent of the $1,158 total use fees collected by the Theatres in 2001.

For the fiscal year ended December 31, 2001 (Dollar Amounts Expressed in Thousands)

NOTE 25 - RELATED PARTY TRANSACTIONS (Continued)

Hennepin Theatre Trust

Hennepin Theatre Trust is a promotion company affiliated with HTG. HTG principals have one seat on the 5-member board.

Productions promoted at the Theatres in 2001 by Hennepin Theatres Trust	30
Use fees paid to the Theatre Operating Account for these productions	$124

Hennepin Theatre Trust use fees paid to the Theatres equal 11 percent of the $1,158 total use fees collected by the Theatres in 2001

NOTE 26- GASB STATEMENT NO. 33

The City implemented GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions during 2001. This statement establishes accounting and financial reporting standards for non-exchange transactions involving financial or capital resources.

NOTE 27- OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantors, principally the Federal and State governments, are subject to regulatory requirements and adjustments by the grantor agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. City officials expect such amounts, if any, to be immaterial.

Various cases and claims are pending against the City involving claims for money damages. Except as follows, these pending cases are not unusual in number and amount. However, in the related cases of Siegel et al v. City of Minneapolis and the Minneapolis Community Development Agency (MCDA) and Johnson v. The City of Minneapolis and the MCDA, the district court entered judgment for $8,000,000 against the defendants for the inverse condemnation of the plaintiffs' properties arising from defendants' planning and pre-condemnation activities. Defendants' appeal of the judgment to the Minnesota Court of Appeals is now pending. Except with respect to the foregoing potential $8,000,000 liability, based upon the City's past experience, resolution of these cases and claims should not have a material adverse effect on the financial position of the City.